

**REPORT OF THE AUDIT OF THE
BOONE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Gary W. Moore, Boone County Judge/Executive

Honorable Michael A. Helmig, Boone County Sheriff

Members of the Boone County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Boone County, Kentucky, for the year ended December 31, 2002.

We engaged Ross & Company PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Boone County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
BOONE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOONE COUNTY SHERIFF

For The Year Ended
December 31, 2002

Ross & Company, PLLC has completed the Boone County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$211,686 from the prior calendar year, resulting in excess fees of \$31 as of December 31, 2002. Revenues increased by \$2,792,652 from the prior year and disbursements increased by \$3,004,338.

Report Comment:

- The Sheriff's Office Should Strengthen Controls Over Federal Awards Programs

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Boone County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.


In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Should Strengthen Controls Over Federal Awards Programs

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive, flowing style.

Ross & Company, PLLC

Audit fieldwork completed -
September 18, 2003

BOONE COUNTY
MICHAEL A. HELMIG, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

Federal Grants		\$	259,016
Federal Fees for Services:			
Department of Justice	\$	15,074	
Federal Aviation Administration		147,227	
Airport Detail		<u>290,565</u>	452,866
State:			
Kentucky Law Enforcement Foundation Program Fund			393,217
Finance and Administration Cabinet			125,339
Circuit Court Clerk:			
Sheriff Security Service	\$	76,139	
Fines and Fees Collected		9,470	
Court Ordered Payments		<u>11,776</u>	97,385
Fiscal Court			5,185,176
County Clerk - Delinquent Taxes			2,946
Commission on Taxes Collected			1,966,797
Fees Collected For Services:			
Auto Inspections	\$	71,580	
Accident and Police Reports		36	
Serving Papers		109,787	
Carrying Concealed Deadly Weapon Permits		<u>23,745</u>	205,148
Other:			
Impound	\$	1,243	
Walton Merger Supplement		102,000	
Employee Share Health Insurance		39,612	
Boone County Schools		113,776	
Miscellaneous		86,879	
Tax Penalty Fee		<u>138,664</u>	482,174
Interest Earned			29,040
Borrowed Money:			
State Advancement			<u>300,000</u>
Total Receipts			<u>\$ 9,499,104</u>

The accompanying notes are an integral part of this financial statement.

BOONE COUNTY
MICHAEL A. HELMIG, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2002
(Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 5,370,552	
Part Time Salaries	225,595	
Office Staff Salaries	387,169	
Resource Officers' Salaries	413,881	
KLEFPF	338,496	\$ 6,735,693

Employee Benefits-

Employer's Share Social Security	\$ 476,479	
Employer's Share Retirement	24,489	
Employer's Share Hazardous Duty Retirement	975,536	
Employer Paid Health Insurance	40,081	1,516,585

Contracted Services-

Advertising	\$ 10,245	
Vehicle Maintenance and Repairs	307,145	
Maintenance Agreements	7,794	
Attorney Retainer	12,000	
Other Contracted Services	11,247	348,431

Materials and Supplies-

Office Materials and Supplies	\$ 20,546	
Uniforms	269,607	290,153

Other Charges-

Dues	\$ 3,529	
Postage	10,354	
Merit Board	817	
Carrying Concealed Deadly Weapon Permits	16,565	
D.A.R.E.	10,749	
Medical Supplies	1,280	
General Utilities/Rentals	34,564	
Data Processing	13,194	
Deputy Expenses/Training	57,876	
Transporting Prisoners	77,961	
Miscellaneous	1,275	228,164

Debt Service:

State Advancement		300,000
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Total Disbursements		<u>\$ 9,419,026</u>
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The accompanying notes are an integral part of this financial statement.

BOONE COUNTY
MICHAEL A. HELMIG, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2002
(Continued)

Net Receipts	\$ 80,078
Less: Statutory Maximum	<u>80,047</u>
Excess Fees Due County for 2002	\$ 31
Payments to County Treasurer - March 6, 2003	<u>31</u>
Balance Due at Completion of Audit	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Additional Bank Accounts of the Boone County Sheriff

The Sheriff also maintains the following bank accounts:

- A. Informant Account - This account consists of money obtained through drug forfeitures and seizures. During 2002, the account had a beginning balance of \$1,685, receipts of \$492 and expenditures of \$1,375. The balance, as of December 31, 2002, was \$802.
- B. Equipment Account - This account consists of money received from Sheriff's sales and court judgments. This money is to be used for equipment. The account had a beginning balance of \$2,315, receipts of \$6,545 and expenditures of \$4,425. The ending balance, as of December 31, 2002, was \$4,435.
- C. Federal Shared Proceeds Account - This account consists of money received from the Federal Government for various cases. It is to be used for employee training. For 2002, the account had a beginning balance of \$106, receipts of \$1 and no expenditures. The ending balance as of December 31, 2002, was \$107.
- D. Federal Forfeitures Account - This was a new account set up by the Sheriff in 2000 and consists of money received from the Federal Government for various cases involving one Sheriff's Deputy working for the DEA. It is to be used for equipment and employee training. During 2002, the account had a beginning balance of \$58,679, receipts of \$50,098 and expenditures of \$48,411. The ending balance, as of December 31, 2002, was \$60,366.

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COMMENT AND RECOMMENDATION

BOONE COUNTY
MICHAEL A. HELMIG, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2002

INTERNAL CONTROL - MATERIAL WEAKNESSES:

The Sheriff's Office Should Strengthen Controls Over Federal Awards Programs

During the audit, it was noted that the majority of the duties related to the Sheriff's major federal awards programs were assigned to one deputy. Because of this, internal controls over the compliance requirements of the Sheriff's federal programs did not appear to be effective in preventing or detecting noncompliance. We believe that this matter is a reportable condition and a material weakness. We recommend that the Sheriff assign responsibilities to additional office personnel in order to strengthen controls over federal awards programs. Responsibilities should include, but are not limited to the following:

- 1) Reviewing the allowable activities of the program.
- 2) Reviewing documentation for allowable expenditures.
- 3) Reviewing required reports for accuracy and completeness.

County Sheriff's Response:

None.

PRIOR YEAR:

- The Sheriff's Office Should Strengthen Controls Over Federal Awards Programs
- The Sheriff Had Known Unallowable Costs Related To The Cops In Schools 1999 And 2000 Federal Grants

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Boone County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated September 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boone County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Should Strengthen Controls Over Federal Awards Programs

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, we consider to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross & Company, PLLC

Audit fieldwork completed -
September 18, 2003

